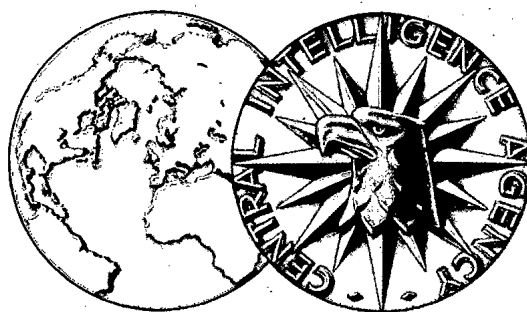


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# WEEKLY SUMMARY



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3. 12. 1977

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**SECRET****H I G H L I G H T S**

**The Berlin dispute, which has increasingly become the symbol of all the underlying differences between the USSR and the western powers, continued during the past week to sharpen east-west disagreements in the Paris UN sessions. The indefinite continuation of the dispute has, however, spurred the western European union countries into taking several constructive steps toward an integrated western European defense system (see page 3). Premier Stalin's recent PRAVDA interview may have been intended as a warning, both to the Soviet people and to the world, that the USSR may take further unilateral action in Germany, possibly including the establishment of an east German state (see page 7). However, a Soviet military withdrawal from Germany during the next six months would certainly result in the loss of Soviet control over eastern Germany (see page 4). Meanwhile, the Soviet Union's problem of controlling the eastern German populace has probably been made more difficult by deteriorating economic conditions in the Zone (see page 5).**

**The last stage of the long-continuing disintegration of the Chinese National Government may now be at hand. A strong Communist drive on Nationalist forces at Hsuehou, the last remaining defense line before Nanking, appears likely within the next few days (see page 11). Besides imminent military disaster, Chiang Kai-shek is now faced with added demoralization within the National Government, whose leaders had counted heavily upon the campaign promises of increased US aid which were made by the Republican Party presidential candidate (see page 11).**

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**SECRET****UNITED NATIONS**

The present east-west power alignment in the UN may be threatened by intensified Soviet efforts to obtain UN membership for its Satellites and by the disintegration of the Nationalist position in China. In seeking admission for its Satellites, the USSR will probably revive the proposal that the General Assembly grant blanket admission to all twelve applicants for UN membership. Such a proposal, which may be supported by those nations favoring the "universality" principle of membership, would result in a gain of approximately the same number of votes for both the east and the west. Proportional Soviet strength in the GA, however, would rise from approximately 11% to 17% of the total. Moreover, admission of Outer Mongolia would provide the USSR with a pretext for demanding admission of possible newly-created Asiatic Satellites. The Soviet position in the UN also may improve as a result of events in China. Complete victory by the Chinese Communists or the establishment of a Communist-dominated coalition government for all China would: (1) increase Soviet strength in the Security Council to three; (2) deprive the western bloc of its present propaganda opportunities to force unilateral Soviet vetoes; and (3) exercise a magnetic influence on UN members adjacent to China such as Siam and Burma.

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**SECRET****WESTERN EUROPE**

Although the western European union has not yet become an effective military force, the framework for an integrated western European defense system has developed as a result of increasingly critical east-west relations and of insistence by the US upon a defense organization to which it could lend material support. The five Brussels pact powers--the UK, France, Belgium, the Netherlands, and Luxembourg--have established a combined command and apparently have prepared an estimate of necessary US military aid. In addition, the western European union Consultative Council has agreed in principle to the formation of a North Atlantic defense pact which would include the US, Canada, and certain peripheral countries and which would provide the US with a means of associating itself with the western European union. Certain western union members, however, fear that the formation of such a broadened security bloc would divert manpower and materials to the production of armaments at the expense of the European recovery program. Moreover, other nations will become more interested in joining such a bloc in the hope of securing US military aid. Some western union members are reluctant to include these other countries which they consider to be military liabilities and which might compete for US aid.

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**SECRET****GERMANY**

An actual Soviet withdrawal from eastern Germany during the next six months, without loss of control over that territory, is impossible. Although the framework for adequate Communist administrative and control organizations now exists in eastern Germany, the formidable problem of staffing these organizations with "reliable" Germans cannot be solved during the next few months. Under the Nazis in 1939, the control mechanism in the eastern zone area comprised approximately 180,000 troops and police of various sorts. In addition, the Nazis operated a number of political and social organizations which exercised control over virtually all the Germans in the area. In contrast, the total strength of the Communist-controlled German police force in eastern Germany is now estimated as approximately 85,000; Soviet troops number 344,700. Communist attempts to build up civilian control organizations similar to those used by the Nazis have failed to receive appreciable popular support. If the Nazis, with strong nationalistic support, required a control force of 180,000 police and troops as well as inter-locking social control organizations, the USSR would probably need approximately 500,000 "reliable" police in order to maintain Soviet control in eastern Germany after withdrawal of Soviet troops. In addition, it may be expected that shortly after Soviet withdrawal a substantial number of the Germans staffing the Communist control police would probably desert Soviet Communism in favor of German nationalism. Although actual Soviet withdrawal is thus not an imminent possibility, the Kremlin may at any time renew its proposals for quadripartite withdrawal. Such proposals would be offered in the belief that their certain rejection by the western powers would provide the USSR with effective propaganda in Germany.

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**SECRET****GERMANY**

Deteriorating economic conditions in the Soviet Zone of Germany may further increase the USSR's problem of controlling the dissatisfied populace. Despite the objections and warnings of German Communist leaders concerning the adverse effect of these deteriorating conditions upon the German people, the USSR has taken little constructive action. Meanwhile, Soviet efforts to increase food crops have not improved the food ration, and Soviet methods of collection have antagonized farm elements. Because of continued dismantlings, reparations, and requisitions by the USSR, industrial production within the Soviet Zone has not reached levels which can satisfy domestic requirements. The importation of supplies from western zones has been reduced by interzonal traffic restrictions, and efforts to promote trade with the Satellites have proved unsuccessful, largely because of Soviet unwillingness to part with acceptable Soviet Zone commodities in exchange for coal and raw materials.

**FRANCE**

The Queuille Government, having decided to govern rather than be governed by fitful fears of every Communist strike threat, has indicated its firm intention to contain the "rotating strikes" in transportation, steel, and docks. As a consequence, the Communists will probably conclude the coal strike during the next two or three weeks, in order to avoid further weakening of the General Confederation of Labor (CGT) or increased loss of face with the French public. Growing Government optimism regarding its ability to solve future labor problems and to correct the price-wage disparity is based upon the strong popular support evidenced for the Government's forceful "clearance" of the coal fields. Although the Government has established itself more firmly by its handling of the coal strike, it is still confronted with legitimate

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**SECRET****FRANCE**

claims of French labor for relief from the hardships caused by the inflationary dislocation of prices and wages. Despite the Government victory over the Communist-dominated CGT which called the coal strike, these inflationary difficulties have been increased by the substantial Communist achievement in disrupting the French economy. Economic losses to date are estimated to be slightly more than \$100 million, which equals 7% of the US aid program to France.

**AUSTRIA**

The recent Soviet order requiring the Austrian Federal Railways to turn over 540 locomotives and 5,575 railway cars by December 1948, if fulfilled, would seriously reduce Austrian carrying capacity and would interfere with the implementation of ERP. To avoid the possibility of further hardening the Soviet attitude, the Austrian Transport Ministry does not favor submitting the Soviet order to the Allied Council and is trying to moderate the demand by direct negotiation with the USSR. Foreign Minister Gruber, however, intends to submit the matter directly to the Allied Council as a deterrent to further Soviet claims.

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## E A S T E R N   E U R O P E

## SOVIET UNION

Premier Stalin's recent PRAVDA interview apparently indicates some shift in the Kremlin's estimate of its capabilities for achieving its immediate objectives in the Berlin dispute. The USSR probably still wants a negotiated settlement of the Berlin issue on terms which would permit ultimate Soviet control of Berlin and Communist penetration of western Germany. The Kremlin apparently believes, however, that such terms probably cannot be obtained from the western powers under present circumstances. Stalin's interview may therefore have been intended to prepare the ground, both within the Soviet Union and abroad, for further unilateral action on Germany, possibly including partition and the establishment of an east German state. The Soviet people have never been told of the real gravity of the Berlin situation and therefore need to be prepared for any step as drastic as the renunciation of "co-operation" with the western powers. As Soviet propaganda designed for foreign consumption, the Stalin interview reiterates the allegation that the western powers are responsible for present world tension and warns the West that the USSR may proceed unilaterally in Germany. The uncompromising stiffness of Stalin's remarks therefore suggests that in the absence of a facesaving compromise, the USSR is prepared to accelerate preparations for the formation of an east German state.

Soviet propaganda preparations for the annual celebration of the October Revolution sharply contrast with the extravagant preparations being heralded throughout the world at this time last year. The less than a dozen news items about the anniversary which have appeared may reflect Kremlin preoccupation with the world situation. This year's slogans which will be used to define the Communist "line" during the next twelve months represent little change from the pattern of themes emphasized last year.

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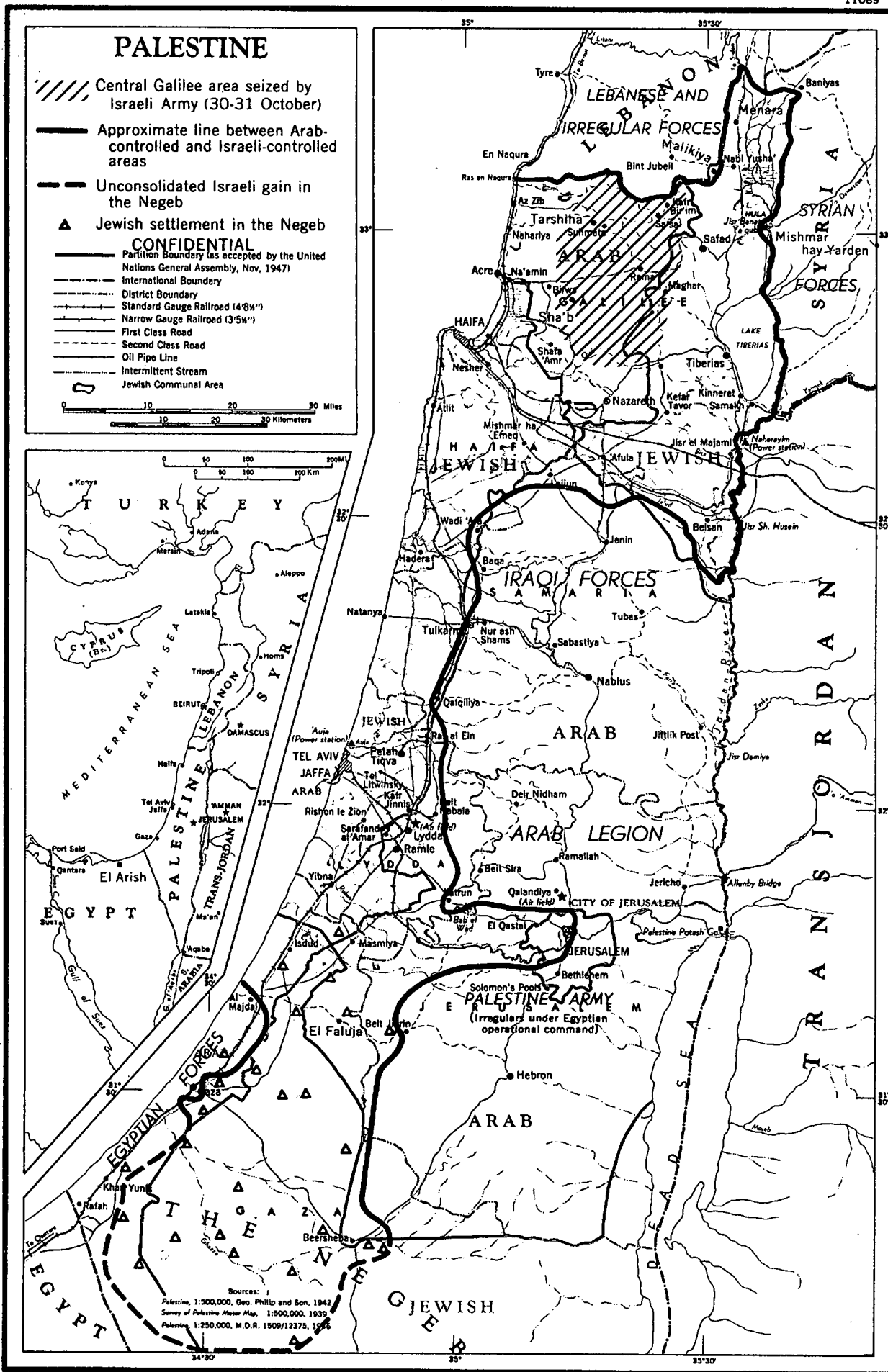
GREECE

A better-integrated army high command is being planned by the Greek Government. In response to US refusal to grant additional funds for expanding the armed forces and US insistence that more effective use be made of Greece's present armed strength, the Government is planning to revive the prewar office of Commander in Chief of the Army in the person of General Papagos, who held the post during the 1941 Albanian campaign. The elderly Papagos, who enjoys wide prestige in Greece and has never been associated with politics, appears willing to accept the responsibility, provided he is not subjected to political pressures and is granted increased powers both to prosecute the anti-guerrilla war and to suppress subversive elements in general. If the new command is given sufficient authority, Greek Army morale may be improved and more successful offensive action against the guerrillas may result.

MILITARY SITUATION IN NOVEMBER 1948

Showing Israeli Conquest of Central Galilee

11089



**SECRET****N E A R E A S T - A F R I C A****PALESTINE**

Israel launched a full-scale offensive in north-central Galilee during the week, attacking Arab irregular forces at Sha'b and Tarshiha, midway between Israeli-held Nazareth and the Lebanese border. Within two days, Israeli troops had eliminated the prominent Arab bulge in the central part of the area and had reportedly advanced into Lebanese territory. The Israelis have also apparently driven the Arabs from the Menara area and thus control the entire Galilee region with two minor exceptions: a Syrian salient at Mishmar hay Yarden and a Lebanese foothold at Malikiya. Jerusalem may become the next scene of Israeli-Arab conflict. Israeli leaders have been threatening military action to obtain an adequate supply route to Mt. Scopus, a nominally demilitarized area north of the city where a small Jewish police force is posted. Although the Arabs have finally agreed to permit the passage of Jewish convoys to the area, the Israeli forces, stronger than ever before, may well be unable to resist the opportunity to seize the whole of Mt. Scopus. This action would enable them to control the approaches to the Old City and to dominate the Jericho road, which is the major supply route for both the Arab Legion and the Iraqi Army. In such an eventuality, these Arab troops would probably have to withdraw from Palestine, leaving the Israelis in control of virtually the entire country.

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**SECRET****ETHIOPIA**

Ethiopia has concluded an \$8 million arms deal with Czechoslovakia and may also have concluded a contract for construction of a munitions plant near Addis Ababa. Ethiopia apparently turned to Czechoslovakia for arms because it could not meet the terms of payment demanded by the UK and France and could purchase arms in the US only from commercial sources on a non-priority basis. Further Communist efforts to infiltrate Ethiopia are suggested by reports that: (1) Ethiopia is negotiating for a Czechoslovak military mission; and (2) the Czechoslovaks have sent a trade mission to Ethiopia. There is little that Ethiopia could export which would be of any use to Czechoslovakia.

**IRAN**

New signs of weakness in the Hajir Government suggest that the Majlis and the Shah may soon be confronted with the task of finding another prime minister. Premier Hajir has been unable to secure from the Majlis the appropriations he needs for administration and has been forced to leave several Cabinet posts vacant because of the unwillingness of qualified men to serve under him. Meanwhile, the population in general has become increasingly hostile to Hajir because of inadequate flour distribution, despite an ample harvest; the press is now almost unanimous in its opposition to him; and even the Shah, once considered Hajir's staunchest supporter, has reportedly ordered him to get the budget passed by the Majlis within ten days. Who will succeed Hajir is not clear. Former Prime Minister Qavam and former Prime Minister Saed have been mentioned for the post. Qavam has been active in political fencebuilding, but he still faces charges of malfeasance and has not yet achieved a reconciliation with the Shah. No new prime minister, however, will be able to govern successfully, even with the support of the Shah, so long as the Majlis, disregarding its responsibilities, fails to take action on essential legislation.

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**SECRET****F A R E A S T****CHINA**

A major political crisis is threatening Chiang Kai-shek following the loss of Mukden and failure of the recent economic reform measures. Prime Minister Wong Wen-hao and Finance Minister Wang Yun-wu have evidenced unwillingness to continue in office, and the entire Cabinet submitted formal resignations on 3 November. The present Cabinet was formed last May only after much delay and after great pressure by the Generalissimo. The formation of a new Cabinet would be even more difficult and might be impossible. The National Government has been counting heavily upon the Republican Party's campaign promises of increased US aid, and the defeat of the Republican presidential candidate and consequent demoralization of the National Government will increase the possibility of Chiang's elimination and the eventual formation of a Communist-dominated coalition government.

The Communist capture of Manchuria releases 400,000 troops which can be directed south against Peiping, Tientsin, and the North China area. These 400,000 Communist effectives are sufficiently superior numerically to assure success no matter where the Communists strike. Fu Tso-yi, the principal Nationalist commander in the North China theatre, is reported to be moving westward toward his home base in Inner Mongolia, thus reducing Nationalist defensive capabilities in the Peiping-Tientsin area. In Central China, there are indications that the Communists may in the next few days strike at Nationalist forces in the Hsuehou area, where a major Communist victory would eliminate the last Nationalist defense line before Nanking.

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**INDONESIA**

The Netherlands Government has accelerated preparations for military action against the Indonesian Republic. Popular opinion in the Netherlands will support the Government on any such action, and the Government has been building up its case by publicizing Republican truce violations. If the scheduled discussions between Netherlands Foreign Minister Stikker and Republican Prime Minister Hatta do not result in an agreement which meets Dutch requirements, the Dutch may establish an interim government for non-Republican Indonesians and begin mopping-up operations in their own territory. The Dutch Army is, moreover, confident of its ability to overrun Republican territory in two to three weeks. Although the Republic has been weakened by the Dutch economic blockade and by its activity in suppressing Communist attacks, the Republican Government will resist any Dutch military moves with sabotage and guerrilla warfare and will, simultaneously, appeal its case to the UN Security Council.

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**W E S T E R N   H E M I S P H E R E**

**PARAGUAY**

Although the present government of Paraguay has  
managed to survive the recent army revolt, President Gonzalez  
has by no means suppressed all opposition. The present unrest  
in Paraguay is strictly domestic, however, and even if Gonzalez  
is ousted by his enemies, no change is likely in Paraguay's re-  
lations with the outside world.

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